

Grover/MacDonald
7/17/00

July 20, 2000

State of Alaska
Local Boundary Commission
550 West 7th Avenue, Suite 1790
Anchorage, AK 99501

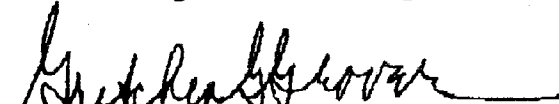
Re: Petition for Incorporation of the City of Talkeetna

Having read the materials filed as the amended petition for incorporation, and being a business and property owner within the proposed area, I hereby file the enclosed comments. These comments and questions represent the views of myself and my partner, Scott MacDonald who is also a business owner.

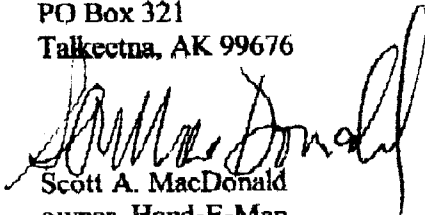
I have owned my property since the summer of 1997 and am currently in the process of building on the site. My legal residence is presently in California, but Talkeetna will be our permanent home once construction is complete.

It should be noted that Exhibits K and M were not provided in the copy of materials sent to us. Some of the questions we have listed below may have been defined in those exhibits. If that is the case, we would appreciate receiving them, as well as the answers to our questions.

We are looking forward to hearing more on this issue.



Gretchen G. Grover
owner, The Laughing Moose (Mile 8, Spur Road)
PO Box 321
Talkeetna, AK 99676



Scott A. MacDonald
owner, Hand-E-Man
PO Box 321
Talkeetna, AK 99676

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First, we should say that we generally approve of the concept of local control. We can understand the frustrations of dealing with a governmental entity which is "out of sight, out of mind." However, we disagree that this proposal solves all the problems. In fact, we believe that it creates additional issues. Similar to the findings in the December 7, 1998, Department of Community and Regional Affairs (DCRA) Draft Report on the original petition, we find it doubtful that the petitioners have proved the need for a city nor have they minimized the number of government units. The proposed city would still split some borough service areas.

This petition is being led by a small group who has not made any effort to contact all landowners in the affected area. I have owned my property since 1997, the original year that the petition was submitted to the Borough. At no time during the development of the petition or its amendment did the petitioners make any effort to contact us or several of our fellow business/property owners. Had it not been for the recent coverage in our newly-created town newspaper, we would have had no knowledge of this until, perhaps, it had already been brought to a vote.

We thought that our situation was unique because we are Outsiders, and only in the area during the summer, but we find that our friends who live year-round on Second Street were unaware of the contents of the petition until we provided them with a copy. This raises concerns for us about who will be making this decision and when the decision will occur:

- What will be required to approve incorporation – a simple majority of those voting in the election or a majority of the actual landowners?
- Will the incorporation vote be part of a general election or will it be a special election?
- Since this petition has been in process for three years at this point, when can we expect this vote to occur?
- Will only people in the affected area be voting on this proposal?

In order to ensure that the people most directly affected by the action are given the opportunity to make this decision, it would seem that the fairest way to vote would be to put the issue to a vote of the landowners, and that it not be approved unless an actual majority of the current owners respond favorably. (Not just a majority of those voting should be required, but the petition should not be OK'd unless a majority of all affected landowners approve it.) Since current state law does not appear to allow for this, extra effort should be required to notify all landowners and give them opportunity to register to vote. The maximum time should be allowed between any decision and the election.

The proposal makes the area to be incorporated large enough to include a sufficient tax base to generate the budget which they selected. This is understandable, but unfair to the land owners who will be taxed, in part, for services which they are not currently receiving nor will have little opportunity to receive. The petitioners state their intent to operate the water and sewer system... a system which at present only serves the immediate "downtown" area. To get these services to our property at Mile 8 would

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require a significant investment in infrastructure which we neither desire nor intend to pay for since we have already built our own well and septic system.

We assume from the reference to a "differential tax zone" that the incorporated area would be divided into districts whose boundaries reflect the limits of services provided, and property owners would only be taxed for the services they receive. It is appropriate for owners within the water district or sewer district to pay additional taxes to support those services, but we do not feel the budget as currently explained makes that differential clear. It would appear that both the city manager and public works director would be involved in managing the utility. This makes it appear that we would be paying taxes to support the salaries and expenses of people managing services from which we get no benefit. This would also go against the intent of the state statute requiring minimization of government units because this would appear to replace borough services with at least two new ones.

Instead of incorporating as a city, why not look at other options? Perhaps the community council could work out an arrangement with the Borough to form a utility cooperative and manage the water, sewer and road services that are of the most concern? If the group is successful at running these public works, then, perhaps, they could consider expanding or seeking incorporation.

The budget as they have sketched out in the petition seems too limited. The DCRA report quoted the Borough analysis of the budget as finding it "underfunded and of questionable financial validity." (pg 25) There appears to have been few improvements over the original petition budget. The fact that there is no inflation factor built in on either the revenue or expense side shows, in part, the unrealistic nature of this budget. Additionally, the amended petition budget does not answer the questions raised by the Borough in the DCRA Report:

"It does not appear that they will be able to compete all services indicated by employing a manager and a clerk. They have not even indicated any temporary employees...contractual services are quite low. Instead of \$15,000 for insurance, it will likely be \$25,000 to \$40,000. The auditing expenses will likely be \$5,000 or \$6,000 rather than \$2,000. Regarding road maintenance, the borough currently has \$190,000 budgeted..." (pg 26)

Regarding revenues, there is the potential that the voters may turn down a sales tax. Some in the area have said that a sales tax will have a negative effect on Talkeetna's appeal as a tourist designation. This would seem to be particularly true if the seasonal tax is adopted. The petitioners have not built an adequate case for a tax, and they appear to be waffling by saying it would either be 2% or 4%, but would not apply to "essential" items. (The list given of potential exempt items is prefaced by "might include" rather than a concrete proposal which can be evaluated properly.) Since this is nearly 30% of their budget, this is a significant unknown. They mention this tax would be voted on at the same time as the incorporation. We have seen numerous votes where people approve of a concept, but do not want to pay for it.

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The property tax revenue predictions in the budget do not jive with what is presented on page 2. Nor do the mil rates match what is on our current tax bill. Can we assume that all of the current Borough non-area wide tax, and the flood, fire, and sewer/water taxes and a portion of the road services tax will be "taken over" by the City? The current tax bill states that the "Area-wide" taxes go to pay for schools and general "government." Will a portion of these taxes go to the new City?

Will new property taxes be created or will current tax levels have to be increased? Will new user fees have to be created for some of the services? As small business owners, any increase in property or sales taxes (or user fees) could have an impact on us.

The whole issue of revenue sources needs to be clarified.

Under expenses, there are questions, as well:

- what is covered under "City Services"? nothing appears to be listed for equipment acquisition, infrastructure improvement, facility maintenance
- under "key items" there is reference to Animal Control being one of the services that the City will assume - where is this in the budget? (staff or operations costs?)
- are there facilities in years 2-3 for library, solid waste or animal control? (where are these reflected in the budget?)
- nothing addresses increasing regulatory pressure which could have a significant impact on the operation of a water or wastewater plant (new EPA regulatory standards coming)
- what about reserves?
- with additional staff and facilities in years 2 & 3, wouldn't insurance requirements increase? are benefits adequate as listed?
- as a home rule city, will Talkeetna be required to pay the Borough for services such as tax assessment, tax collection/redistribution, planning, etc.? If not, are these functions included in the duties of the clerk? What kind of resources would this involve, and will a part-time clerk be adequate?

Prior to any vote significant work needs to be done on defining the proposed budget and proposed services. A comparison to current Borough expenditures and services would be helpful. In the DCRA Report, the Borough budget for road services is cited as \$190,000 (pg 26) and the original petition budget shows \$80,000. The amended petition shows only \$50,000. This makes it look like local control will give us less services than we currently get for our money. This echoes the previous DCRA findings:

"Incorporation as proposed could initially result in a significant diminution of the number of municipal services provided to the residents of the area. ...the requirements of AS 20.05.021(b) would not be satisfied by the incorporation petition since services required by the area are presently more reasonably and practicably provided by the Matanuska-Susitna Borough." (pg 2, cover letter)

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Seeing what the petitioners propose to take on as city services, we would anticipate that there will need to be an increase in property taxes. This would appear to hit harder those who are new arrivals – or people who have been upgrading their facilities (since their property has probably been assessed more recently). Does the City propose to conduct its own assessment process or will this continue to be handled (piecemeal) by the Borough? Will there be an assessment conducted at the time of incorporation to ensure that City tax base is as current as it can be and to eliminate any potential "penalty" on new property?

The following are related to items on specific pages of the petition:

pg 2 – City Council: Does the six-member council include the mayor or will the mayor be elected separately (making, in essence, a seven-member council)? Is the mayor a member of the council, or will the position have separately defined duties and serve as the tie-breaker if the council is deadlocked?

pg 2 – Proposed Taxes: Is a simple majority required or does it take a 2/3 majority to approve taxes?

pg 3 – Proposed Services: The amended petition adds four new services which petitioners claim the City will perform. There are no guarantees that the current levels of service will be maintained. For example, can we assume that the same percentage of the tax monies will go to the services indicated on the current tax bill? Using the figures they provided, road property tax revenues should amount to in excess of \$84,000. Why, then, does the budget only call for \$50-53,000 in road maintenance services? Road maintenance is one of the services they cite as being of concern... the impression is that the lack of response from the Borough is one of the reasons we need incorporation. Yet their own proposal does not give services at the level of projected revenues. Why? Also, the amended petition does not answer DCRA's concerns that the fracturing of RSA #29 "could be detrimental to maintenance and improvement of the area's road transportation system." (pg 13)

Also, nowhere in the proposal did we find an adequate definition of what services would be provided under Parks and Recreation. Does this mean that the City will assume responsibility for current Borough property within the proposed incorporated area, including management of trails? The DCRA Report lists a comment by a resident, "If the Mat-Su Borough government with 50,000 people can't afford to fund a parks and recreation department, how is 758 people going to do it?" (pg 32)

As previously indicated, Animal Control is not explained or accounted for under the budget with either staff, facilities, or costs. How is this to be provided? Will there be licensing and/or new user fees (plus additional staff time)?

These services appear to be adequately and reasonably provided by the Borough at this time. To state that the City will assume them not on incorporation but

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within 6-18 months, implies that there will be potentially significant impacts on service delivery. Why give up something that is working for a "guess-timate" that the City will get around to providing them.

No mention is made of emergency preparedness other than to say the City will adopt the Borough plan. Since every municipality is required to provide for emergency preparedness, is this another service which the petitioners have not adequately addressed?

pg 3/Exhibit F – The media list fails to recognize the *Talkeetna Good Times* as an area newspaper. Since this was the media which managed to get the information to us, we would ask that it be added.

pg 4 – Description of participation of minorities: With such a small minority population to deal with, we find it difficult to believe that the petitioners could not reach out to attempt to involve them in this process. But, then, they didn't try to involve landowners or business owners either.

pg 6 – Survey: the petition cites a 1991 survey showing 52% favoring incorporation and a 1991 vote showing a 80% favoring investigating incorporation. This paints a rosy picture. Is there nothing newer? The 1998 DCRA Report shows 161 voters (and a total of 253 residents) submitting petitions against incorporation. (pg 2) If this number is applied to the reported numbers of voters from the last election, this group could have represented a 54% majority AGAINST.

Exhibit C: The map behind pg 8 erroneously shows a trail in two locations on our property. As indicated in our letter to the Borough in September of 1997, the trail entrance is on Borough property. The failure of the Borough to control access to what is supposed to be a foot trail has caused significant damages to our property by ATVs and four-wheel drive vehicles. If the transition described in Exhibit H is to include deeding of this or any Borough property to the City, the issue of public access and protection of private property must be addressed.

pg 16 – planning commission: Will this commission be a voluntary panel? What powers will this commission have to set zoning? Will this commission be appointed or elected? Who will manage the commission? What are the costs of adding this function to the proposed City government?

pg 17 – timetable: Will the mayor and city council be elected at the same election that the proposed incorporation is considered? Or will a special election be required to vote for these positions? The timetable should be expanded to specify the actual events necessary for incorporation to occur. It is unrealistic to believe that a council can hire a clerk and city manager within one month of incorporation, when that first month will be taken up with establishing bylaws and getting organized (including hiring a lawyer to advise them). No action should be permitted to be taken by the council until the actual date of incorporation.

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pg 17 – hiring of personnel: Some indication of the process for hiring initial City positions should also be indicated... e.g., civil service procedures will be used, City positions will be advertised in local media, posted at city offices for a period of XX time and a panel of citizens employed to evaluate the candidates for city manager. Will the process be to have the Council hire the city manager initially, and then he or she will make recommendations to Council on hiring of all further staff? Or will the city manager have hiring/firing authority?

pg 19 – “duties” of the City: As one of the reasons for a local city government the petition states that a city will “establish, as needed, and desired, controls over development that affect the quality of life in our community due to the pressures of increasing population.” This is the section of the proposal that is the most divisive. There are those, like us, who selected the area because of its semi-wilderness nature and lack of governmental controls. There are also those who feel that they should impose their view of how things should be done. These form the two sides in this issue. We chose our property to be far enough from the town to be able to take advantage of what it has to offer when we need to or want to. At six miles away, we do not want to be forced to be part of the proposed city with the rules this “duty” implies would follow incorporation. There may be a need to manage development and increased impacts from tourism in the town center, but why should the 61% of the housing units in the outlying area be included? Let us be.

Conclusions: The petitioners do not appear to have proved their case for incorporation. As stated in the DCRA Report, “it is not evident that the current level of services being provided by the MSB to the community are inferior to the level of services which would be provided by the proposed city.” (pg 37) That report also cited lack of specific detail about what services would be provided. The amended petition claims that the city would take on additional services, but again little to no details are provided.

It does not appear that the petitioners are proposing to do anything which the Borough is not already doing reasonably and economically. Facing giving up a benign “known” for a tentative, sketchy “unknown” is an easy decision – just say no!